

IOWA RACING AND GAMING COMMISSION  
MINUTES  
OCTOBER 8 - 9, 2007

The Iowa Racing & Gaming Commission met on Tuesday, October 9, 2007 at The Isle Casino & Hotel Waterloo, in Waterloo, Iowa. Commission members present were: Kate Cutler, Chair; Gerry Bair, Vice Chair, and members Diane Hamilton, Greg Seyfer and Toni Urban.

Chair Cutler called the meeting to order at 6:30 PM, October 8, 2007, and requested a motion to approve the agenda. Commissioner Bair so moved. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler then requested a motion to go into Executive Session. Commissioner Urban moved to go into Executive Session for the purpose of receiving Division of Criminal Investigation background reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Hamilton seconded the motion, which carried unanimously on a roll call vote. (See Order No. 07-88)

Chair Cutler requested a motion to leave Executive Session. Commissioner Bair so moved. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-89)

Chair Cutler recessed the Commission meeting until 8:30 AM, October 9, 2007.

Chair Cutler requested a motion to reconvene the meeting at 8:30 AM, October 9, 2007. Commissioner Bair so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler called on Don Hoth, President of the Black Hawk County Gaming Association (BHCGA), who welcomed the Commission to Waterloo. Mr. Hoth stated that the Isle has been an economic boon to Waterloo and the county, and that there has been an ancillary effect. He noted that the spirit of the Cedar Valley has been renewed. Mr. Hoth advised that Isle of Capri (IOC) promised the BHCGA \$1 million if they were granted a license, \$500,000 of which was used to build a youth pavilion as an extension of the Center for the Arts. The remaining funds were devoted to the River Loop project. Both projects are part of the Riverfront Renaissance project. IOC also advanced \$1million to the City of Waterloo, repayable at 50 cents on the dollar, which was used to offset a property tax increase. BHCGA was advanced \$3 million by IOC - \$1 million to install the Veteran's Memorial to the Grout Museum, which is part of the Riverfront Renaissance project and also a Vision Iowa project. The remaining funds have been devoted to Riverfront Renaissance as part of the River Loop project. Mr. Hoth noted that to date buildings have been demolished and construction should commence soon. He stated that when the City of Waterloo and BHCGA selected IOC as the operator, they had great expectations and IOC has met all of them.

Chair Cutler moved to the approval of the minutes. Commissioner Hamilton moved to approve the minutes of the August 30, 2007 Commission meeting as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer advised that the purpose of the Executive Session held the previous evening was to receive Division of Criminal Investigation background reports. He introduced Shirley Stokes and Shelly Sturch, IRGC Gaming Representative and Licensing Assistant respectively, at Waterloo.

Mr. Ketterer provided the following information concerning upcoming meetings:

- November 8, 2007 Commission Meeting – Stoney Creek Inn, Johnston, IA  
(Submissions due by October 25, 2007)
- December 2007 – No Meeting
- January 10, 2008 Commission Meeting – Stoney Creek Inn, Johnston, IA  
(Submissions due by December 26, 2007)
- February – No Meeting
- March 6, 2008 Commission Meeting – Stoney Creek Inn, Johnston, IA  
(Submissions due by February 21, 2008)

He noted that the March meeting would be the annual renewal of the gambling boat and gambling structure licenses. Chair Cutler asked about the Iowa caucus dates, expressing concern about possible conflicts. She was advised there is no conflict at the present time.

Chair Cutler moved to the rules being submitted under Notice of Intended Action, and called on Mr. Ketterer for a review. Mr. Ketterer advised that Items 1-11 and 13-18 are amendments due to Legislative changes, relocation of rules to another chapter or other changes to Iowa Rule of Civil Procedure references; Item 12 changes the time that the weekly and monthly numbers are due to the Commission; Items 19-34 update existing rules to correspond with national rules of racing; Item 35 allows the Commission to engage more than one independent testing facility for the testing of gambling games or implements of gambling; Item 36 makes the cash payout of a prize to be at least 75% of the fair market value of the merchandise or thing of value offered as a prize; Item 37 changes the theoretical payout percentage to the actual aggregate percentage payout; and Item 38 requires that a progressive jackpot that has been removed from the floor be transferred to another progressive slot machine at the same facility within 30 days of removal. Mr. Ketterer requested that the proposed rules be approved for Notice of Intended Action.

Hearing no comments or questions concerning the rules, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the rules as submitted for Notice of Intended Action. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-90)

Chair Cutler called on the IOC regarding their request for an extension of time to file their annual financial audits with IRGC. Curt Beason, legal representative, requested an extension of time for the operating subsidiaries of IOC to file their annual financial audits. He provided a brief history behind the request, noting that the change in corporate headquarters from Biloxi, Mississippi to St. Louis, Missouri triggered a chain of events. The auditing firm, Ernst & Young, is projecting that they can have the financials completed by October 31, 2007, giving the Commission the ability to review them at the November Commission meeting.

Commissioner Bair asked the original due date for the audits. Mr. Beason advised they were originally due July 31<sup>st</sup>. Commissioner Bair asked Mr. Ketterer if the Commission has the authority to grant an extension. Mr. Ketterer stated that the Commission has a blanket authority to enforce the Code, which states the audits are due 90 days after the end of the licensee's fiscal year. Commissioner Bair expressed concern about setting a precedent, given the fact that they are this far behind in filing the reports.

Chair Cutler asked Mr. Ketterer if the Commission has the authority to levy a fine or penalty, clarifying that she is not suggesting they do so at this time, but that it would be a possibility if the reports are not available to the Commission prior to the November 8<sup>th</sup> Commission meeting. Dave VanCompernelle, Assistant Attorney General for IRGC, answered in the affirmative. Chair Cutler, noting the extenuating circumstances, advised this was a one-time pass, and put the licensees on notice that the Commission could not tolerate late filings in the future.

Mr. Ketterer asked Mr. Beason if there were still any pending approvals before the SEC board. Mr. Beason indicated all filings had been submitted, and all issues are resolved. He stated that he understood the Commission's concerns.

Commissioner Seyfer stated that he would like to establish October 31 as the deadline for filing the financial audits as that is the date the auditors have established.

Hearing no further discussion, Chair Cutler requested a motion. Commissioner Bair moved to grant the request for an extension until October 31, 2007 for the operating subsidiaries of IOC to file their annual audited financial statements. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-91)

Chair Cutler called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations, requested the Commission's approval to change the status of the facility from a moored barge to a gambling structure due to a change in the Iowa Code on July 1<sup>st</sup> which removed the requirement that the casino floor be over water. He advised that in Emmetsburg a portion of the man-made lake is under the casino floor, which froze last winter even though there are jets in the lake to circulate the water to prevent that from occurring. Mr. Timmons stated WRE is hoping to drain the lake back far enough to get the water out from under the casino, fill the area with dirt, seal it off over the winter, and then add more dirt next spring and grass. Additionally, depending on the bids, WRE is

looking at the possibility of adding an outdoor amphitheater to the west of the lake. Mr. Timmons advised that WRE held a couple of outdoor concerts this summer that were very successful, but have limited seating for indoor concerts. Mr. Timmons stated that, based upon the Commission's approval, WRE has submitted six contracts with Iowa vendors on the basis that the project will be put out for bids next week. He indicated that only one will be selected to perform the work, but wanted to be able to proceed in a timely fashion.

Commissioner Seyfer, noting that the Request for Transaction Summary Form shows a total of \$3 Million, clarified that WRE is only going to proceed with one of the bids. Mr. Timmons indicated that was correct.

Commissioner Bair asked if the above work would curtail casino operations. Mr. Timmons answered in the negative.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve WRE's request to change the status of their facility from a moored barge to a gambling structure and one of the six contracts submitted to remove the water from under the casino floor. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-92)

Chair Cutler moved to the contract approval portion of the agenda and called on Argosy Casino-Sioux City. Kees Eder, General Manager, presented a contract with AmeriFlex for Section 125 accounts (flexible spending accounts) for employees.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Argosy Casino. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-93)

Chair Cutler called on Lakeside Casino. Damon Butler, General Manager, presented the following contracts for Commission approval:

- Anderson Erickson Dairy – Purchase of Food & Supplies for Kitchen
- Crawford Law Firm – Legal Services

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by Lakeside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-94)

Chair Cutler called on Ameristar Casino. Jane Bell, Director of Government & Community Affairs, presented a contract with Hawkins Construction Company for construction for Commission approval.

Chair Cutler asked how Ameristar was progressing in receiving the necessary permits to proceed with construction. Ms. Bell advised that they are still in the design process.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contract as submitted by Ameristar. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-95)

Chair Cutler called on Isle of Capri Bettendorf (IOCB). Mo Hyder, General Manager, presented the following contracts for Commission approval:

- All Star Incentive – Merchandise for Isle Style Redemption
- Midwest Publishing & Marketing – Gifts for Marketing Promotions

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by IOCB. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-96)

Chair Cutler called on the isle casino & hotel at Waterloo (isle). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- Community Motor Company, Inc. – Vehicle Give-Away
- Standard Textile Company – Linens & Textiles for Hotel, Casino & Restaurants
- Starbucks Coffee Company – License Agreement for Starbucks Coffee Company

Commissioner Seyfer asked how Starbucks could be considered an Iowa vendor. Mr. Hardy stated that he understood they had an office located in Des Moines. He indicated that he would research the matter and get a response to the Commission.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by the isle. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-97)

Chair Cutler called on the Diamond Jo (DJ). Natalie Schramm, General Manager, presented a contract with Medical Associates Health Plan for employee health insurance premiums.

Chair Cutler asked if the above was an insurance company. Ms. Schramm advised that it is the employee health plan, which is fully insured.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contract as submitted by DJ. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-98)

Chair Cutler called on Diamond Jo Worth (DJW). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- J & A Printing – Direct Mail Printing
- Magic Media – Billboard Advertising
- Martin Bros. Distributing Co. – Cigarettes and Grocery Items for The Jo Shop/Cigarettes for Casino
- Post Bulletin Company, LLC – Newspaper Advertising
- Worth County Treasurer – Casino Property Taxes
- Vision Iowa/Diamond Jo Dubuque Parking Ramp TIF Bond Purchase Financing

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-99)

Chair Cutler called on Riverside Casino & Golf Resort. Joe Massa, General Manager, presented the following contracts for Commission approval:

- Frank Baxter General Contractor – Construction Services
- Edward Don & Company – Additional Smallwares
- Gary Hoyer Law Firm – Legal Services
- Sign Productions, Inc. – Interior & Exterior Graphic Signage
- Dodd Drywall & Plastering – Construction
- Continental Fire & Sprinkler – Construction
- Liberty Doors, Inc. – Construction
- Myers Construction, Inc. – Construction
- Marcus Lumber Co. – Construction
- Cardmember Service through Peoples Trust – Credit Card Purchases
- CEC – Purchase of Communications & IT Equipment & Services
- Dale Lee Distributing Co. – Beverage Purchases
- Graphic Controls, LLC – Slot Machine Gaming Tickets
- J&A Printing, Inc. – Mail Processing & Printing Services
- Johnson Bros. Iowa Wine & Beverage – Beverage Purchases
- JP Gasway Co., Inc. – Purchase of Clothing, Other Retail Items
- Midwest Flying Service of Iowa, Inc. – Flying Services
- Polk Partners – Public Relations Consulting
- Shottenkirk – Purchase of Vehicles
- Shuffle Master, Inc. – License & Lease Agreement
- Chicago Title Insurance – Fees Related to Loan
- Kehl Development Corporation – Services to Assist in the Development of Casino Project

- Global Payments Gaming Services, Inc. – Credit Card Debit Card Advance Processing Agreement
- Global Payments Gaming Services, Inc. – Check Guarantee Agreement
- Bally Gaming, Inc. – Slot Machine Lease
- Kidder Benefits Consultants, Inc./Nationwide Investments – 401K Plan Financial Representative/Consultant/Custodian
- Agilysys NV, LLC – IBM Hardware/Software Maintenance Agreement

Chair Cutler called on Mr. Ketterer for comments. Mr. Ketterer noted there were a few contracts submitted at the August meeting that dated back to 2006, which prompted a review of all of the contracts and/or transactions at Riverside by Des Moines and Riverside IRGC staff, as well as Riverside staff. He noted the review was not quite complete at the time the meeting packets were sent out, but advised there will be a report from IRGC staff at the November meeting. Mr. Ketterer stated there may be a few additional contracts to be submitted.

Chair Cutler asked if there were more contracts to be submitted. Mr. Massa indicated that was correct; however, he believes Riverside staff now understands the process and what needs to be submitted. He indicated his feeling that there is some ambiguity to the rule; that there was no intent to deceive the Commission. Of the 27 items submitted, eight were construction contracts that were originally approved and exceeded the approved amount by \$100,000 or 25%. The remaining contracts were purchase orders that just didn't get submitted. He attributed some of the lapse to individuals who are new to the gaming industry, and the process of getting the property open.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-100)

Chair Cutler moved to the next agenda item – a presentation concerning the acquisition of Harrah's Entertainment, Inc. by Apollo Management (Apollo) and Texas Management Group (TPG). Michael Silberling, General Manager, advised that the following individuals would be giving the presentation: Steve Brammell, Senior Vice President and General Counsel for Harrah's, Karl Peterson for TPG, and Anthony Civalé for Apollo. Mr. Brammell stated this is the first regulatory hearing on this transaction; noting that they would be in New Jersey and Mississippi next week, and other jurisdictions over the next couple of months with the goal and expectation of completing this transaction later this year or the early part of 2008.

Mr. Brammell stated that when Harrah's was before the Commission when they purchased Harvey's they talked about things like operational excellence, capital improvements, community involvement, and expressed his belief that Harrah's has lived up to those commitments. He indicated the Commission would hear many of the same things from them and the sponsors as they look to the future under the new ownership of

TPG and Apollo. He advised that the management vision for Harrah's remains unchanged; that the transaction represents a change in ownership, not a change in direction. Their strategy will continue to be the leading gaming operator by focusing on their current markets and maintaining the national platform. Mr. Brammell stated that Apollo and TPG have put a flexible capital structure in place that can fund the company's growth plans and also withstand unexpected contingencies. The Code of Commitment to Guests, Employees and Community will continue to be the company's guiding principle. Mr. Brammell pointed out Harrah's strong relationship with the state, state regulators, local government and Iowa West Racing Association, the non-profit license holder for Harrah's and Horseshoe Casino/Bluffs Run Greyhound Park. Mr. Brammell concluded his remarks by stating that Harrah's is excited to partner with Apollo and TPG due to their financial strength, history of investing in and growing franchise businesses, extensive experience in highly regulated industries, and commitment to helping Harrah's execute their growth strategy.

Mr. Brammell turned the floor over to Mr. Peterson, one of the partners at TPG and one of the applicants before the Commission. Mr. Peterson commenced his portion of the presentation by stating that TPG and Apollo believe Harrah's is a great company with great assets. He credited Harrah's advantage to their national platform, the Total Rewards program, and the management team, which lead Apollo and TPG to believe that the company as a whole is worth more than the sum of its parts. Mr. Peterson gave a quick overview of private equity and who TPG and Apollo are. In private equity, there are two parts – limited partners and general partners. The limited partners are the institutional investors who make long-term commitments to the private equity funds, and they are silent partners. The institutional investors are large, well-known sources of capital looking for attractive investment terms, who give their proxy to the equity funds as a general partner to manage the funds. In this case, TPG and Apollo are the general partners and are serving as fiduciaries for the silent limited partners. TPG and Apollo are entrusted to make the investment decisions, manage the investments and deal with the day-to-day operations of the portfolio companies. Mr. Peterson advised that the equity fund companies do not receive any funds until the limited partners have received their return of capital plus a fixed return. Mr. Peterson advised that TPG and Apollo are among the top five or six private equity firms, are approximately the same size and manage about \$35 million in capital each. Apollo is headquartered in New York, and TPG is headquartered in Ft. Worth, Texas. In addition to their experience with highly regulated industries, Apollo and TPG each have a partner who has previously gone through the licensing process in Iowa. Mr. Peterson highlighted some of the various franchise companies in which TPG and Apollo are or have been involved.

Mr. Peterson moved to the beneficiaries of the private equity funds, noting that they are one of the least understood areas. He advised that private equity funds generate a higher return than what is available in the general market by investing in mutual or index funds. The vast majority of the capital goes to state and public pension funds which constitute a majority of the fund's assets. Mr. Peterson highlighted one company each that TPG and Apollo had acquired and showed the results of the investment.



Mr. Peterson turned the presentation over to Anthony Civale, a partner in Apollo, who covered some of the highlights of the transaction to purchase Harrah's, which was signed in December 2006. TPG and Apollo agreed to purchase Harrah's for \$90 per share, or \$31 billion for the company, making it one of the largest transactions in the private equity community, and one of the largest investments for each of the two firms. TPG and Apollo, along with co-investors, have committed \$6 billion dollars of new equity to invest in Harrah's, demonstrating their strong belief in the future of the company – both locally and globally. Mr. Civale stated that in addition to the equity provided by TPG and Apollo, they have received financial commitments from some of the largest investment and commercial banks in the country and world. Following the transaction, \$4.5 billion of existing debt held by Harrah's will remain outstanding.

Mr. Civale then covered what TPG and Apollo felt were the key regulatory considerations: management, reputable equity investors, maintaining the assets, Harrah's strategy and guiding principles, substantial liquidity available, ability to fund capital expenditures, support of leading institutions, and significant sponsor investment.

Chair Cutler pointed out that the Commission had spent approximately 2½ hours in Executive Session receiving the information provided to the Division of Criminal Investigation, noting that the transaction is much more complicated than the preceding presentation would lead one to believe. She stated that in the past it appears the companies have focused on distressed companies, and wondered why they chose Harrah's as it doesn't fit that particular model.

Mr. Peterson advised that TPG invests in broken businesses, which are hard to do and are time and research intensive, but balance those transactions by buying franchise industry-leading businesses that are leaders in their market position, have great management teams and are operating on a status quo basis where they can add some value and guidance. Chair Cutler asked if TPG would maintain the Harrah's brand. Mr. Peterson answered in the affirmative.

Commissioner Urban asked about the time frame for closing the transaction. Mr. Brammell advised that they will be making a presentation to all nine of the jurisdictions over the next couple of months, with the goal of being able to complete the transaction by late this year or early next year. He indicated that progress on the transaction is on track at this time.

Commissioner Seyfer pointed out that since the merger agreement was signed in December 2006 there has been a dramatic change in the interest rates, and asked how those changes have impacted the numbers utilized to put the transaction together.

Mr. Civale agreed there has been a lot of volatility, especially over the last 3-4 months, and over the entire year as well. He stated that when the papers were signed in December 2006, TPG and Apollo did have financing commitments from the nine banks which locked in the interest rate for the debt. He noted there is \$4.5 billion of outstanding debt

at Harrah's that is not affected by what has happened over the course of the last 3-4 months. Mr. Civale stated that the new debt committed to by TPG and Apollo was done at a predetermined rate in December 2006.

Mr. Peterson stated that the contractual commitments that TPG and Apollo have from the banks has shifted the interest rate from Harrah's to the leading banks, meaning they could be subject to some losses due to the interest rate volatility.

Commissioner Seyfer asked if the banks locked in the interest rates last December without an out. Mr. Peterson answered in the affirmative. Commissioner Seyfer, referring to the substantial liquidity available under the Key Considerations (\$2 billion revolver plus additional sources), stated that it was his understanding that it is standard practice for the private equity funds to move onto the next project once the current project is funded. He asked about the additional sources that could come into play. Mr. Peterson advised that the company does generate capital that could be reinvested in the business, in addition to the revolver loan. Additionally, the companies do have other assets that could be utilized to provide liquidity in the event of a severe downturn. Mr. Peterson noted that both TPG and Apollo have a history of investing capital to grow the business as those opportunities present themselves.

Chair Cutler asked when they would be making their presentation to Nevada and New Jersey, noting Harrah's substantial holdings in those two states. Mr. Brammell advised that they will be in New Jersey next week, and that Nevada will be later this year. He stated the investigation in Nevada is proceeding on schedule.

Mr. Ketterer noted that the Commission has always encouraged reinvesting in the properties, indicating that Harrah's has been a hallmark of that. He pointed out that Harrah's riverboat is affected by a recent law change which provides the opportunity to move to a land-based structure. He requested assurance that the practice of reinvesting in the properties via capital expenditures would continue under the new ownership. Mr. Peterson assured Mr. Ketterer and the Commission that the practice of reinvesting in the property would continue. Mr. Petersen stated that TPG and Apollo are committed to maintaining at a minimum maintenance capital certainly, but will also look to value-added expansion projects as the local management decides to bring them forward..

Mr. Civale thanked everyone for their research and diligence in learning about the transaction. (A copy of the presentation is available in the Commission's Des Moines office.)

Following a short break, the Commission moved to the next agenda item – the racetrack license renewals and granting of race dates and racetrack enclosure gambling license renewals. Chair Cutler called on Iowa West Racing Association/Bluffs Run Greyhound Park & Casino and Horseshoe Casino (IWRA/BRGP/HSC). Jerry Mathiason, Director of IWRA, respectfully requested approval of the licenses for BRGP and HSC, noting that it has been 23 years since the Commission granted the first license to BRGP. He

highlighted some of the businesses that have moved into the “entertainment corridor” surrounding Ameristar, Harrah’s and BRGP/HSC, noting that plans are in the works for four more hotels and the largest IMAX theater in Iowa is to be built in the area. Additionally, an announcement is being made tomorrow regarding some public art features to be unveiled from some publicly renowned artists.

Mr. Mathiason turned the floor over to Mr. Silberling, who commented on the recent \$87 million investment in BRGP/HSC and their partnership with a hotel company to open a new facility in November 2008. Iowa purchases are 72%, while the second quarter of 2007 was at 81%, and the contracts included in the license renewal document represent 92.4% of purchases with Iowa vendors. Mr. Silberling noted the Council Bluffs facility’s success in getting some Iowa vendors approved for national contracts with Harrah’s. Taxes paid to the state increased to \$47 million following the Horseshoe Casino expansion, the number of Iowa employees has increased by 26%. They just recently co-sponsored another concert at the Mid American Center. Harrah’s Council Bluffs held their first World Series of Poker last February, and is included again this year, which could be televised. On the racing side, Mr. Silberling advised that approximately \$500,000 had been spent, and another \$500,000 is going towards improving the kennels. He noted that live handle declined, consistent with what is occurring nationally. Export handle increased by 8%. BRGP held five \$60,000 stakes races in 2007, and the \$450,000 Breeder’s Classic will be a featured race for the American Greyhound Track Owners Association’s Night of Stars races. Greyhound purses are supplemented by \$9 million in addition to the Night of Stars. Mr. Silberling requested approval of the licenses and race dates.

Jim Quilty, legal representative for the Iowa Greyhound Association, took the opportunity to applaud BRGP for proposing to schedule some races during the Triple Crown races. He believes it is a good move for greyhound racing, and hopes it is a good move for the casino.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the license renewal for IWRA/BRGP and grant the race dates, renew the racetrack enclosure license and approve the contracts contained with the renewal application. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-101)

Chair Cutler called on the Dubuque Racing Association/Dubuque Greyhound Park & Casino (DRA/DGP&C). Bruce Wentworth, General Manager, advised that 2008 would be the 24<sup>th</sup> year of live racing and the 13<sup>th</sup> year of casino operations. He noted they were the first pari-mutuel facility to open in Iowa (June 1, 1985) and remain under one owner. Mr. Wentworth advised that Brian Southwood and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were also present to answer any questions.

Hearing no further comments or questions concerning the application, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the license renewal for

DRA/DGP&C and grant the race dates, renew the racetrack enclosure license and approve the contracts contained within the renewal application. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-102)

Chair Cutler called on Prairie Meadows Racetrack & Casino, Inc./Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, advised that the facility opened in 1989, is on target to have the best year ever, and has a record number of employees. He introduced Derron Heldt, Director of Racing, who addressed the racing license renewal.

Mr. Ketterer asked Mr. Heldt how much the purses were going to be for 2008, and how much would be going to each breed. Mr. Heldt advised that the purse structure for the racing calendar submitted with the license application would sustain what was done in 2007 for all three breeds, or an average of \$18,300 for the thoroughbred meet, and \$13,500 for the mixed meet on the thoroughbred side. He stated that purses for all three breeds will average just about what PMR&C paid this year. Mr. Ketterer asked the percentages for the three breeds. Mr. Heldt advised that the thoroughbreds received 81.37%, 14.35 % for the quarter horses and 4.28% for the harness meet. Mr. Ketterer confirmed that PMR&C is anticipating approximately the same percentages for 2008, and asked the total amount to be expended for purses in 2008. Mr. Heldt answered in the affirmative on the percentages, and advised that total purses would be approximately \$19.5 million. Mr. Ketterer noted that Iowa Code requires not less than 11% of adjusted net receipts from gambling games, and that last year PMR&C was around the 11% plus they contributed \$1 million toward standardbred racing at county fairs. He asked what was being proposed for 2008. Mr. Heldt advised that PMR&C would be paying the standardbreds \$1 million for county fair races. Mr. Ketterer again asked the percentage of purse supplements from gambling games, reiterating that Iowa Code requires a minimum of 11%. Mr. Heldt advised that the 4.28% purse to the standardbreds represents their portion of the 11%, and the \$1 million is above that amount. Mr. Ketterer stated that it was his understanding that the above percentages indicated how the 11% would be divided up, and there will be an additional \$1 million to the standardbreds for county fair racing. Mr. Heldt answered in the affirmative.

Commissioner Bair asked if that was the only money going to purses above the required 11%. Mr. Heldt answered in the affirmative.

Commissioner Bair asked about the number of races per week. Mr. Heldt advised that during the thoroughbred only meet, they are running nine races per performance until the last week of May at which time they will run ten races from the first part of June through the second week of July, which is when they have the most horse population on the backside.

Commissioner Bair asked if all parties were in agreement. Mr. Heldt stated that PMR&C took the guidance of the Commission and worked very hard to negotiate three-year contracts with all of the horsemen's groups. He advised that agreements had been

reached with the standardbreds and the quarter horse group. Mr. Heldt stated that PMR&C had met with the thoroughbreds all afternoon the previous day and came to a consensus on everything except the Iowa Horsemen's Benevolent and Protection Association (IHBPA) chose a one-year contract over a three-year contract. Commissioner Bair asked if the other two breeds were still in agreement on principle. Mr. Heldt indicated he thought they were.

Commissioner Urban asked Mr. Heldt what the difference was between 2008 and 2007 regarding the number of races. She asked if they were asking for an increase in the number of races. Mr. Heldt answered in the affirmative, that they have asked for an additional 40 races.

Commissioner Hamilton asked if PMR&C would have a sufficient number of horses to support the number of requested races. Mr. Heldt stated that it is difficult to know in advance how many horses will come for the meet; PMR&C is at the mercy of the trainers/owners as to the number of horses they bring for the live race meet. In the past few years, the stalls have not been filled to capacity, making it difficult to fill races. Mr. Heldt stated that PMR&C tries to average 7-8 entries per race. Commissioner Hamilton asked if there was a minimum number of entries per race and whether the race would be run if there were less than seven entries. Mr. Heldt advised that racing staff will take a hard look at the race if there are less than 5 betting interests, but stated that whether the race is run or not is at the discretion of the racing office. He stated the racing office works hard to add another horse to those races with 5 or 6 entries. Commissioner Hamilton asked if PMR&C would then be racing horses that should not be running. Mr. Heldt advised that the racing office respects the entries submitted by the trainers, trusting that the trainers have submitted healthy horses for the race. Commissioner Hamilton asked if anyone, like the state vet, besides the trainer makes that determination. Mr. Heldt answered in the negative, but added that the state vet does walk through the barns in the morning checking the horses pre-race, and can make a determination as to whether the horse is healthy enough to race. He also stated there are safe guards in place during live racing as well, including a state vet on the racetrack.

Commissioner Bair, noting that the Commission just received a report on track surfaces at the August meeting, stated that he saw a newspaper article indicating PMR&C was going to replace the track surface. He stated that the track surface is only one element of the safety of the horses. Others are too many races, exposure, etc. that can also lead to injury. Commissioner Bair stated that he hoped that would not eliminate the study of the synthetic track surfaces by PMR&C. Mr. Palmer stated that PMR&C experienced several problems with the track this season as it became too packed after the rains, even after maintenance crews worked the surface. PMR&C gathered a study group and called in some professionals and the determination was made to replace the track surface. PMR&C brought in a scientist, Michael DePew from Michigan, who analyzed the current track surface, and was able to provide some new information concerning the makeup of the track surface.

Mr. Ketterer asked Mr. Palmer about the source of the materials, if they were the same as they have received from Hallett in the past. Mr. Palmer answered in the negative; stating that in 1994 they used red sand which appeared to be the perfect surface for all of the breeds. That material can no longer be found; Hallett has a small amount left that has been stockpiled to be mixed with other materials. Mr. Palmer advised that Hallett had looked throughout Iowa, Nebraska, Minnesota, and Illinois to find as close an aggregate as possible to the original surface.

Mr. Ketterer asked what assurance PMR&C could offer that they would not experience the same problems that they did in the past few years. Mr. Palmer stated that based on the recent scientific study, PMR&C learned that it takes a number of years for the calcification of the carbonates to reach a point where they can no longer be broken up. PMR&C is looking into a scientific solution that would involve treating the water PMR&C receives from Altoona with a PH ingredient. This method would require a new storm sewer, and they would have to work with the Department of Natural Resources to determine how the treated water would be taken care of in order not to violate any environmental rules. They also are looking into whether any other racetrack has experienced this problem. Mr. Palmer stated that if worst comes to worst, it may be necessary for PMR&C to replace the track surface again in three or four years if they continue with this type of track surface.

Commissioner Urban asked Mr. Heldt if he had ever analyzed the number of Iowa horses versus horses coming from out of state that are participating in the thoroughbred meet. Mr. Heldt stated that the number of horses applying for stalls runs anywhere from 35-38% for Iowa-breds, with the rest being open horses that come in from other states. He indicated that number fluctuates from year to year, sometime higher, sometimes lower. Commissioner Urban stated that what she was hearing is that more than half the horses are coming from other states. Mr. Palmer stated that PMR&C does get a lot of horses that travel here from Houston, Arkansas, Illinois, and Florida.

Hearing no further comments or questions concerning the license renewal application, Chair Cutler called for comments from the various horsemen's associations. Doug Vail, representing the Iowa Thoroughbred Breeders & Owners Association (ITBOA), read a letter from Leroy Gessman, President of the ITBOA, which was dated October 8<sup>th</sup> to the Commission. Mr. Gessman stated that a meeting was held on Monday, October 8<sup>th</sup> between representatives of PMR&C and the IHBPA. The meeting started out by PMR&C stating they had a three-year contract agreed to by the quarter horse representatives. A meeting was taking place in a different room with the standard bred representatives. At the end of the day, the standard bred representatives had also agreed to a three-year contract, and the thoroughbreds representatives agreed to a one-year contract. Attorney Tom Flynn advised that the quarter horse interests were close and might yet sign a three-year contract. On Friday, October 5, 2007, the quarter horse president, Butch Hammer, indicated to the ITBOA that they had agreed to a three-year contract with PMR&C. As this letter is read, the IHBPA does not know whether or not PMR&C actually has a contract with the quarter horse interests, but the IHBPA is willing

to sign a one-year contract; however, they would like the ability to continue to negotiate with PMR&C in the hope they would have a contract signed by the November 2007 Commission meeting.

Mr. Vail stated that he could address the issue of the one-year contract. He advised that IHBPA's By-Laws do not allow a current president to sign a contract commitment beyond one year of his final term, which would be next August for Mr. Gessman. Mr. Vail advised that the IHBPA is trying to get to a long term contract with one of the conditions of the contract being that the next Board would approve it as well. The IHBPA membership does not see any reason why that could not occur.

Mr. Vail asked to comment on the number of Iowa-bred and open horses. He advised that he performs a bi-monthly stall count with PMR&C's stall manager. Mr. Vail stated that Mr. Heldt was close on his numbers, although he felt the number of Iowa-breds was a little higher. He indicated that seems to be the trend at racetracks that have a casino, particularly since the competition for horses is getting stronger and there are more places to run. He stated that it is his opinion that in the future the real source for horses is going to have to come primarily from the state-bred programs. Mr. Vail stated his last stall count showed 560 stalls occupied by Iowa-breds out of 1,130 occupied stalls. He indicated that not all horses in the stalls are necessarily running. Mr. Vail advised that he does not sit on the negotiating committee.

Commissioner Urban stated that her question concerning Iowa-bred horses and out-of-state horses was predicated on her concern that if the program is extended, the Iowa-bred horses would be running more, and concern about the health of the horses. Mr. Vail stated that the beginning and ending dates of the meet are further apart, providing additional racing opportunities over a 4-day per week schedule. He expressed his hope that PMR&C would race more Iowa-breds.

Commissioner Bair, referring to Mr. Vail's comment on more racinos and more competition, and the number of races per performance, asked Mr. Vail if he had any concerns about the horses being run too often. Mr. Vail stated that is always a concern, but the matter goes back to the trainer, which is why the state veterinarian and staff inspect the horses prior to racing as well as the day of the race. If they detect a potential problem, they have a right to scratch the horse. Mr. Vail stated that PMR&C has addressed his primary concern – the condition of the track. PMR&C's report at last month's Commission meeting indicated that it was too soon to consider a synthetic track, particularly as additional information continues to become available. He stated that Arlington, racing on Polytrack, had more entries, larger fields, horses ran back quicker, and they had half the number of breakdowns than they had the previous year. Mr. Vail stated that PMR&C is in the unique position of racing three different breeds on the same track surface. He indicated that he did not think there was another track in the country dealing with that same scenario.

Chair Cutler noted that the IHBPA had agreed to a one-year contract, but requested until November to negotiate with PMR&C. She asked if they agreed with the contract, with the only issue being the length of the contract. Mr. Vail indicated that was his understanding of the situation, but asked if PMR&C had a signed contract with the quarter horse association.

Tom Flynn, legal counsel for PMR&C, advised that there is a signed contract with the standard bred, but the quarter horse association has an issue with one clause they want to work out dealing with legislation that may be adverse to the terms of the contract. The quarter horse association and PMR&C are in agreement on the division of purses and racing days.

Mr. Vail stated that his understanding of the situation from Mr. Gessman is that the IHBPA is willing to sign a one year contract. Chair Cutler questioned why the IHBPA wanted to continue negotiations with PMR&C until November as it would still be a one-year contract; that the IHBPA was not going to amend their by-laws to change that provision. Mr. Vail indicated that could happen, but the revision would have to be taken to the national level. He noted that the president selected next year would be in a position to enter a three-year contract. Commissioner Hamilton asked if the only reason the IHBPA would not sign a three-year contract has to do with the president of the IHBPA not being able to sign a three-year contract. Mr. Vail indicated that was his understanding.

Mr. Flynn stated that as of last night, PMR&C had included the same language in the three-year agreement with the standard bred that the quarter horse association balked on, and the thoroughbreds have stated that it was absolutely a no go. The provision is the one that deals with adverse legislation. The thoroughbred association has led PMR&C to believe that they will pursue legislation that may mandate the division of purses or something to do with purses and racing opportunities and they did not want to enter into any agreement that would preclude or impair their ability to do so. PMR&C's position has been to try and get a three-year agreement, and questioned why they needed legislation.

Hearing no further comments for Mr. Vail, Chair Cutler called for a representative of the quarter horse association to address the Commission. No one was present to do so.

Chair Cutler called on the harness association. Royal Roland commenced his comments by clarifying that the comments concerning the number of Iowa-bred horses applied to the thoroughbreds and quarter horses only. He stated that 65% of the purse money paid by PMR&C went to Iowa registered or owned horses. Mr. Roland stated that he was before the Commission in the unique position of having a three-year agreement with PMR&C for the 2008-2010 racing season. He stated the financial attributes of the agreement are somewhat disappointing – 4.28% for purses in addition to the \$1 million for the county fair racing circuit, which is less than the 2006 purse package and fair supplement. Mr. Roland advised that the Iowa Harness Horsemen's Association (IHHA)



Board felt the fact that PMR&C was willing to make a three-year agreement to fund the county fair races outweighed any other financial attributes. Mr. Roland stated there is one other item in the contract that he wanted to bring to their attention, which has also been alluded to by the other breeds and has to do with legislative activities. The provision is as follows: "In the event that any legislation, administrative rule, judicial or arbitration decree or order is enacted or entered into from and after the date of this agreement which in the sole discretion of Prairie Meadows is adverse to the terms and agreements agreed to by Prairie Meadows, Prairie Meadows shall have the right to terminate this agreement upon thirty days written notice to the Iowa Harness Horsemen's Association." Mr. Roland stated that as an organization, they want the three-year agreement, and believes that is what the Commission also desires. He indicated the provision does offer PMR&C a large range of termination options that are out of the IHHA's hands. Mr. Roland stated the IHHA would be looking to the Commission for help in discouraging PMR&C from terminating the agreement in the event the contemplated event occurred.

Commissioner Bair asked for clarification as to what authority the Commission has regarding the agreements in the event three-year contracts are not submitted for all three breeds. Mr. Ketterer advised that the agreements are for purse supplements from gambling games, and that is the only requirement of the joint submission. If PMR&C does not have a joint submission of three agreements, then it is up to the Commission to set the purses in addition to setting the race dates and renewing the license.

Commissioner Hamilton asked if the Commission had the authority to make the parties sign a three-year contract. Mr. Ketterer stated that the Commission did not have to make the parties sign any agreement; if they all reach an agreement that covers purse supplements from gambling games with PMR&C and submit them simultaneously then the Commission will approve them. If they don't, then it falls to the Commission to set the purse levels. Chair Cutler stated that the Commission could exceed the percentages PMR&C set forth today. Mr. Ketterer answered in the affirmative.

Mr. Roland stated that if the Commission makes the determination as to purse supplements for 2008, it would be on a one-year basis, and asked what effect that would have on the IHHA's agreement. He made the assumption that the IHHA's agreement would be invalid. Mr. Ketterer advised that the IHHA could still enter into an agreement on other negotiated issues outside of purse supplements. The Commission's requirement under the Iowa Administrative Code is that purse supplements from gambling games for all three breeds must be submitted simultaneously.

Commissioner Bair stated that it is his understanding from previous comments by the thoroughbred representative is that they agree in principle except for the provision Mr. Roland just read. Chair Cutler asked Mr. Flynn if there was any chance it would be changed. Mr. Flynn advised that it could if all three breeds would agree to the purse supplements; however, since PMR&C was alerted to the fact that one breed might attempt to get legislation that would alter the division of purses and set racing days which

could affect the amounts paid by PMR&C and mandated racing days they feel it is necessary. The goal of including the provision was to discourage those breeds that signed off on the agreement from pursuing legislation. Mr. Flynn stated that it is an important provision if PMR&C can not reach an agreement with all three breeds.

Commissioner Bair stated that legislation would always supersede any agreement entered into, either by the horsemen's groups or riverboat licensees and their operators. Mr. Flynn indicated that he believed that to be an accurate statement. Commissioner Bair stated that the groups could go ahead and agree to the contracts, and if legislation occurred, legislation occurred. Mr. Flynn indicated that is what he believes will happen. He concurred with Commissioner Bair's statement that any agreement or contract could be superseded by legislative action.

Commissioner Bair again asked if the thoroughbred representatives agreed in principle with what PMR&C proposed. Mr. Flynn stated that his understanding from the previous day's meeting is that the thoroughbreds are in agreement with the racing opportunities and division of purses proposed for 2008, but they did not want a three-year contract. Commissioner Bair asked Mr. Vail if that was his understanding as well. Mr. Vail stated that if the provision read by Mr. Roland is included in the thoroughbred contract, he indicated that he would be reluctant to agree to the contract as there are some issues that need to be addressed legislatively, not only for the thoroughbreds, but the horse industry as a whole. He stated that if the provision is taking away that right and puts the horsemen's groups in violation of their contract with PMR&C; that would be a tough position to be in as Iowa is not in line with what is occurring nationally in order to be competitive. He indicated that there would be proposed legislation to deal with the issues. Mr. Vail stated that as a manager of a breeding farm, he has to make decisions that will affect the operation and industry four or five years from now, not just three years down the road. He advised that if his racing opportunities are reduced from 700 to 300 or 400 in a year that will have a tremendous impact on the breeding industry. Commissioner Bair asked if some of the reduction in racing opportunities would be offset by the increased competition from the surrounding states, particularly Kansas. Mr. Vail agreed, but noted the horsemen had agreed, in good faith, to the "not less than 11% of the purse money", which is now the lowest of the 23 racinos in the nation for purse supplements. He stated that the horsemen are not looking to change that amount, but are looking to change the number of racing opportunities and the sunset clause effective in 2021 as that will have an impact on his breeding decisions in 2016. Mr. Vail stated that he is not confident about the future.

Commissioner Bair stated that hopefully one of the issues to be addressed would be to have races that would encourage higher purses due to the amount bet on the race itself rather than just relying on gambling game supplements.

Chair Cutler asked if there were any additional questions for PMR&C. Mr. Flynn stated that Mr. Heldt needed to clarify what has been submitted versus what has been discussed. Mr. Heldt stated that the racing calendar as submitted and what has been discussed with

the three breeds are different. If the breeds elect to proceed with what has been discussed, the calendar would be longer by a week, with more racing opportunities. The standard breeds would still have 18 days, but the calendar changes for the thoroughbred and mixed meets from what has been submitted.

Mr. Ketterer asked Mr. Heldt what he is asking the Commission to approve since PMR&C does not have an agreement with the thoroughbreds or quarter horses – what has been submitted or something different than what has been submitted. Mr. Heldt stated that PMR&C was seeking approval of the racing dates and purse supplements as submitted. He advised that in attempting to reach a three-year agreement with the quarter horses, PMR&C had to do some things differently (length of season), which then affected the thoroughbred's length of season. The increased length provided additional days, meaning additional opportunities to race.

Chair Cutler asked why the Commission would not wait to give any approvals until they had exact dates. Mr. Ketterer stated that the Commission has the authority to set the dates; what is before the Commission is what has been submitted and what they are asking the Commission to approve. During the process of negotiations, PMR&C has considered other dates. The question for the Commission is whether they want to approve the dates, purses and percentages as submitted, or do they want to give PMR&C another month to see if they can reach an agreement with all of the breeds.

Commissioner Bair asked what the chances were of PMR&C being able to reach three-year agreements with all of the breeds if the Commission waited until the November Commission meeting. Mr. Heldt, noting that PMR&C has had five-year contracts in the past, stated that if Mr. Vail's statement that the thoroughbreds won't enter into more than a year long contract is accurate, he doesn't know what would change.

Commissioner Bair expressed concern over the fact that PMR&C was asking for approval of what has been submitted versus what has been negotiated. Mr. Ketterer stated that the dates and purses negotiated were based upon the inclusion of the questionable provision in the contract. PMR&C was willing to extend the season in exchange for getting the provision in the contract, and that has not occurred at this point. Thus, PMR&C is back to the original submission.

Mr. Palmer stated that it was very important to PMR&C to enter into a three-year contract if they could with all of the horsemen's groups in order to provide some continuity to them as well as PMR&C. With regard to Commissioner Bair's question as to whether another month would make a difference, he stated that if PMR&C is unable to get the thoroughbreds to agree to more than a one year agreement, it voids the other two, which would not qualify as a joint submission under the rules.

Chair Cutler asked if the issue was back in the Commission's hands. Mr. Ketterer stated that it is always in the Commission's hands as far as purses are concerned if PMR&C is unable to reach an agreement with all three breeds. Mr. Ketterer advised that the

Commission's alternatives are to approve the license renewal and race dates as submitted, modify it in some respect based on some of the comments made today or to wait until the November meeting in the hopes that the parties can make some progress in resolving the issues.

Commissioner Bair stated that he would like to wait and see if PMR&C could negotiate a three-year contract with all of the breeds. Commissioner Hamilton, noting that no one was happy the last time the Commission decided race dates and purses, stated that she would also like to wait. Commissioner Urban concurred. Commissioner Seyfer stated that he would like to proceed as he does not believe anything will change by waiting as the IHBPA's By-Laws prevent the organization from entering into a three-year contract.

Noting that these by-laws have been in effect for some time, there was some discussion as to how the IHBPA entered into three- and five-year contracts in the past. Mr. Vail stated that there were different presidents, it was an agreement made by the previous president, which very well could have been in violation of the by-laws.

Hearing no further comments or discussion, Chair Cutler requested a motion. Commissioner Bair moved to postpone any decision on PMR&C's license renewal and request for race dates and renewal of the racetrack enclosure license until the November Commission meeting, with the hope that the horsemen and PMR&C can reach an agreement on a three-year agreement, but more than likely a one-year agreement. Commissioner Urban seconded the motion.

Chair Cutler asked Mr. Ketterer if PMR&C could submit one one-year agreement and two three-year agreements and meet the "submitted simultaneously" requirement of the Code. Mr. Ketterer stated that he would defer to the Assistant Attorney General, but felt that the last two years of the three-year agreements would not be legally binding as the third party would not be included. Mr. Ketterer reiterated that the Commission sets the purses with one exception – if all parties agree and the agreements are submitted simultaneously. If they are not submitted simultaneously, which would be the case under the above scenario; there would not be any agreement as they were not submitted simultaneously.

Chair Cutler called for the vote. The motion carried on a 3-2 vote, with Commissioners Hamilton and Seyfer voting nay.

Chair Cutler moved to the additional contracts submitted by PMR&C. Mr. Palmer submitted the following contracts for Commission approval:

- Hallett Materials – Dirt, Salt, & Silt Materials for Maintenance
- Iowa Harness Horseman's Association – Standardbred Agreement for 2007 Racing Season
- McAninch, Inc. – Racetrack Surface Maintenance, Including Excavating & Grading Projects

- North American Communications Resource, Inc. – Telephone Equipment & Service

Mr. Ketterer asked Mr. Palmer how much of the McAninch contract was for converting the track surface for the standard bred meet. Mr. Palmer advised that all of it was for the conversion. He stated that PMR&C plans to remove the dirt from the training track, and replace it with the dirt from the regular track. Mr. Ketterer noted that the value of the contract was increased to \$650,000, or a net increase of \$200,000, which is for removing the surface from the main track, and putting that material on the training track.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the additional contracts as submitted by PMR&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-103)

Chair Cutler moved to the Hearings before the Commission:

- Catfish Bend Casino – For Violation of Iowa Code §99F.9(5) (Employing underage on floor)
- Riverside Casino & Golf Resort – For Violation of Iowa Code § 99F.4 (22) (Voluntary self-exclusion)

Mr. Ketterer advised the Commission that he has entered into a Stipulated Agreement with both facilities. He explained that the situation at Catfish Bend Casino (CBC) involves a violation of Iowa Code Section 99F.9(5). CBC hired a 17-year old male to work in a bar back position. The individual stated that he thought the Human Resources employee and his department supervisor knew that he was only 17, and those two individuals indicated they thought his age was acceptable for a bar back employee. It was later revealed that a 15-year old male came forward and turned in his IRGC license to security; he had been licensed and working as a housekeeper on the gaming floor for 10 days. Mr. Ketterer noted this violation is different than the other underage violations that have come before the Commission. Mr. Ketterer stated that in some respects he felt this violation was worse initially because of the lack of overall supervision within the Human Resources Department in that they would hire an underage individual to be working on the gaming floor. He indicated the ultimate goal is to prevent underage individuals from gambling, which did not occur in either of these instances as the individuals were just performing their job duties. Mr. Ketterer stated that the Stipulated Agreement provides for an administrative penalty of \$20,000. He recommended approval.

Hearing no comments or questions for Mr. Ketterer concerning the Stipulated Agreement, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the Stipulated Agreement as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-104)

Chair Cutler moved to the Riverside agreement. Mr. Ketterer advised that this was a violation of Iowa Code Section 99.4(22), which pertains to the voluntary self-exclusion provision. He advised that on February 9<sup>th</sup>, 2006, an individual completed an Iowa Statewide Lifetime Self-Exclusion form at IOC Bettendorf. On October 11, 2006, Riverside created an in-house account for this individual, recording that he was on the Iowa state-wide self-exclusion list. On February 23, 2007, the individual entered Riverside and created a Player's Club account. A Riverside employee failed to hit a duplicate check key; therefore, two accounts were created for this individual. From February through the end of July, 2007, the individual recorded slot and table game play on 14 different days. From April through the end of July or early August, he received five promotional mailings. On the first Player's Club account that did reveal the individual was on the state-wide self-exclusion list, the individual recorded table game play on June 24<sup>th</sup> and August 2<sup>nd</sup>. On August 2<sup>nd</sup>, the individual inquired as to whether he had more than one Player's Club account, which is when this issue was discovered. Mr. Ketterer stated that this violation meets the threshold on many criteria that was established by the Commission earlier this year for a violation of the state-wide self-exclusion provision of the Code. The agreement calls for an administrative penalty of \$20,000. Mr. Ketterer recommended approval.

Hearing no further comments or questions for Mr. Ketterer, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the Stipulated Agreement with Riverside Casino & Golf Resort as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-105)

Chair Cutler called on Mr. Ketterer for Administrative Business; there was none. Chair Cutler moved to Public Comment. Mr. Timmons advised that the Mississippi Belle II/Wild Rose Clinton would be taking its last cruise on Wednesday, October 10th, marking the end of an era in Iowa's riverboat gambling industry.

As there was no other business to come before the Commission, Chair Cutler requested a motion to adjourn. Commissioner Bair moved to adjourn the meeting. Commissioner Hamilton seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

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JULIE D. HERRICK